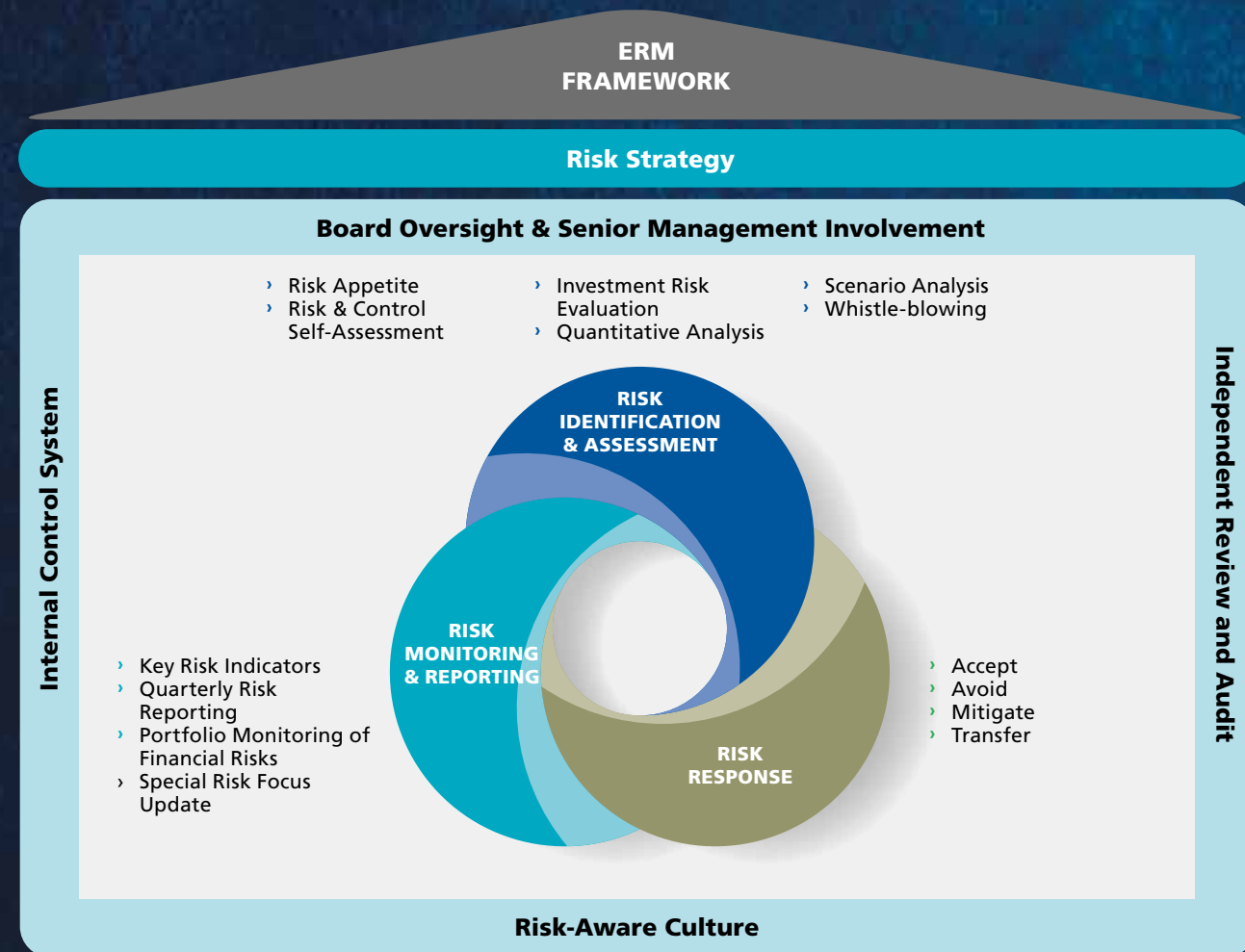


Risk Management

CapitaLand Investment believes in maintaining a robust risk management framework to proactively identify, assess and respond to material risks that can impact our objectives to generate sustainable returns as a global Real Estate Investment Manager (REIM) and to create long term value for our stakeholders. By pursuing a risk strategy of optimisation of opportunities within the approved risk appetite levels instead of risk minimisation, we position CLI for long-term sustainable results.

ENSURING BEST-IN-CLASS RISK MANAGEMENT STANDARDS AND APPROACHES TO OPTIMISE OPPORTUNITIES

CLI's Enterprise Risk Management (ERM) Framework is adapted from the International Organization for Standardization 31000 International Risk Management Standards. It is benchmarked against other relevant best practices and guidelines and reviewed annually to ensure its continued relevance and practicality. It sets out the required environmental and organisational components needed to identify, assess, respond to, monitor and report material risks in an integrated, systematic and consistent manner as depicted below.



Board Oversight and Senior Management Involvement

The CLI Board (the Board), assisted by Risk Committee, approves the Group's risk appetite which determines the nature and extent of material risks the Group is willing to take to achieve its strategic objectives.

The Board also oversees the ERM Framework; regularly reviews the Group's risk profile, material risks and mitigation strategies; and ensures the adequacy and effectiveness of the risk management framework and policies.

Senior management team directs and monitors the implementation and practice of ERM across the Group.

Regular Independent Review and Audit

Internal and External Audit as the third line of defence reviews the adequacy and effectiveness of risk management and internal control systems design and implementation so as to provide reasonable assurance to the Board.

A Strong Culture of Risk Awareness

The risk management department works closely with a network of risk champions from each business unit and corporate function, as well as various specialist support functions, to ensure risk management practices are implemented consistently.

Risk workshops are conducted regularly to ensure these practices are embedded in our decision-making and business processes.

Senior Management reinforces the culture by setting the 'tone at the top', leading by example, and communicating our risk strategy.

A Robust Internal Control System

Various specialist support functions as the second line of defence are responsible for the design and implementation of effective internal controls using a risk-based approach.

CLI'S MATERIAL RISKS AND OPPORTUNITIES

A Group-wide Risk and Control Self-Assessment (RCSA) is conducted annually by all business units and corporate functions to identify key material risks, including new and emerging events, that CLI faces in delivering our strategic objectives, its mitigating measures and the opportunities. Based on 2021 RCSA results, the measures taken to mitigate the material risks and opportunities to capitalise on are set out below:

Material Risk

BUSINESS INTERRUPTION/ PANDEMIC

Business disruptions arising from the COVID-19 pandemic have resulted in potential structural disruptions to some of the real estate asset classes.

Key Mitigating Actions

- Continue to place the well-being of our tenants, shoppers, guests and customers as top priority by adopting contactless technologies and innovative tech solutions to enhance safety, cleanliness and hygiene at the Group's properties.
- Future proof the Group's business through digitalisation of business operations and processes, innovation and flexibility in the Group's product offerings such as
 - accelerating our omnichannel solutions,
 - assisting our customers with digital transition,
 - providing flexible workspace solutions.
- Build collaborative relationships and work closely with supply chain contractors, vendors and suppliers to achieve environmental and social goals through CLI's Supply Chain Code of Conduct.

Opportunities

- Ride on ongoing business digitalisation to innovate and improve product offerings.
- Opportunities to reposition or repurpose our assets to meet the new norms.

Material Risk

CLIMATE CHANGE

Physical risks such as rising sea levels, violent storms, long intense heat waves, flash floods and fresh water depletion.

Transitional risks including potentially more stringent regulations and increased expectations from stakeholders.

Key Mitigating Actions

- › Assessment of the detailed physical risks in the evaluation of any new acquisitions.
- › Incorporate shadow internal carbon price and compute a Return on Sustainability (ROS) in the evaluation of new investment/capital expenditure decisions. This helps to price in climate-related costs and opportunities, support low-carbon investments, prepare for stringent climate legislation, and avoid stranded assets.
- › Regularly review the Group's mitigation and adaptation efforts, which include
 - future proofing our portfolio against changing climatic conditions from the design stage and
 - improving the operational efficiency of our properties, setting targets for carbon emissions, water, energy and waste efficiency.
- › Well-established Group environmental management system which is externally certified to ISO 14001.
- › For more information, please refer to CLI's Global Sustainability Report 2021, to be published by 31 May 2022.

Opportunities

- › Enhance our positive reputation and strong track record in sustainability efforts as a competitive advantage for the Group to build a resilient portfolio of assets and achieve resource efficiency.
- › Accelerate sustainability innovation and collaboration with tenants, supply chain contractors, vendors and suppliers.

FRAUD, BRIBERY & CORRUPTION

Any forms of fraud, bribery and corruption that could be perpetuated by employees, third parties or collusion between employees and third parties.

- › Foster a culture of ethics and integrity in the Group.
- › Adopt a zero-tolerance stance against fraud, bribery and corruption (FBC) across our businesses.
- › Communicate the commitment to integrity from the top through policies and practices, such as FBC Risk Management Policy, Whistle-blowing Policy, Ethics and Code of Business Conduct Policies and Anti-Money Laundering and Countering the Financing of Terrorism Policy and mandatory FBC eLearning.

SAFETY, HEALTH & WELL-BEING

Increased expectations from stakeholders to provide a safe and healthy environment, including well-being, at our assets and operations.

- › Assess health and safety related risks in the evaluation of any new acquisitions.
- › Regularly review the Group's mitigation efforts which include work-related safety targets applicable to both CLI and our supply chains.
- › Well-established Group health and safety management system which is externally certified to ISO 45001.
- › For more information, please refer to CLI's Global Sustainability Report 2021, to be published by 31 May 2022.

Material Risk

COMPETITION

Keen industry competition from established real estate investment managers who are able to attract and manage more capital by meeting investors' expectations or reacting aptly to market trends.

Key Mitigating Actions

- › Sharpen focus with the restructuring to create a leading global REIM with multiple Fund AUM growth drivers.
- › Harness synergies and strengthen competitive advantage by preserving the existing ecosystem.
- › Focus on building key enablers that give the Group a competitive advantage such as enhancing the data analytics capabilities in our business processes; and leveraging innovation tools and solutions to support our customers in pivoting to a more digitally driven model.
- › Incorporate sustainability considerations in the Group's business to reinforce our leading position as a sustainable REIM.
- › Leverage in-house team of industry analysts to keep the Group on top of latest market trends.

Opportunities

- › Tap on ONE CapitaLand ecosystem to benefit from the development expertise and opportunities without the associated risks.
- › Rely on strong experience in multi-sector asset and portfolio management, best-in-class operating platforms and track records in fund management.

CYBER SECURITY & INFORMATION TECHNOLOGY

Ongoing business digitalisation exposes the business to IT-related threats, which may compromise the confidentiality, integrity and availability of the Group's information assets and/or systems.

- › Execute CLI's Cyber Security Strategy through ongoing review against existing/evolving threat landscapes, and institute measures to minimise vulnerability exposure and manage threat vectors.
- › Ongoing mandatory staff IT Security Awareness Training to counter human intervention in the information security chain.
- › Periodically review and update Group-wide IT Security Policy and Data Protection Framework to ensure relevancy.
- › Maintain and test IT Security Incident Management Procedure to ensure prompt response and timely remediation to cyber security incidents.
- › Conduct annual Disaster Recovery Plan exercise to ensure timely recoverability of business-critical IT systems.
- › Put in place enhanced protection controls for systems that hold personal data.

- › Build a cyber resilient infrastructure and network to harness the full potential of innovation and digital transformation of our business processes.

ECONOMIC

Exposure to event risks, such as unexpected geopolitical shifts, trade wars, economic downturns and sudden changes in real estate related regulations in major economies and key markets.

- › Diversify our portfolio across asset classes and geographies in accordance with Board-approved country limits.
- › Focus on markets where the Group has operational scale and the underlying economic fundamentals are more robust.
- › Actively monitor macroeconomic trends, policies and regulatory changes in key markets.
- › Perform scenario analysis using an in-house developed 'Value-at-Risk' model.

- › Access investment opportunities globally to enhance portfolio diversification across business cycles.

Risk Management

Material Risk

FINANCIAL

Exposure to financial risks involving liquidity, foreign currency and interest rates and their volatility.

Key Mitigating Actions

- › Measure and evaluate financial risks using multiple risk management models, such as conducting stress testing and 'Value-at-Risk' modelling.
- › Hedge and limit certain financial risk exposures using various forms of financial instruments. For more details, please refer to the Financial Risk Management section on page 240.

Opportunities

- › Manage our financial risks to give confidence to our investors and enhance our fund management track record.

INVESTMENT & DIVESTMENT

Deployment of capital into loss-making or below-target return investments due to wrong underwriting assumptions or poor execution.

Inadequate planning to identify suitable divestment opportunities.

- › Risk management department conducts a comprehensive independent risk evaluation for all projects above a stipulated investment value threshold.
- › Hurdle rates and weighted average cost of capital based on relevant risk adjusted input parameters, used as investment benchmarks are reviewed/updated annually and adjusted accordingly where necessary.

- › Build on strong experience and track record in multi-sector asset and portfolio management to increase our competitive advantage.

REGULATORY & COMPLIANCE

Non-compliance to applicable local laws and regulations, including tax, data protection and privacy regulations, in the markets where CLI operates.

- › Maintain a framework that proactively identifies the applicable laws and regulations (including taxation), and embeds compliance into day-to-day operations.
- › Leverage in-house specialised teams (such as compliance and tax) and external consultants to provide advisory services and updates on changes to laws and regulations.
- › Establish Group-wide procedures and policies to address the requirements of the applicable data protection and privacy laws through policies such as, Personal Data Protection Policy, Group Data Breach Reporting & Management Policy, Group Vendor Management Policy, Global Omnichannel Marketing Policy, Group Data Governance Policy and PDPA Group Compliance Manual.

- › Keep abreast of the changing regulatory landscape to identify potential improvements in the various compliance areas.